



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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July 12, 2001

TO: MagCorp, Knolls Solar Pond Project, Correspondence File # - M/045/022
THRU: Mary Ann Wright, Associate Director - Mining *with for maw*
FROM: Wayne Hedberg, Permit Supervisor – Minerals Program *DWA*
RE: Documentation of MagCorp Meeting

Date of Meeting: July 9, 2001
Location: Division Offices – Conference Rm. A
Time of Meeting: 1:00 – 2:00 PM
Participants: Tony Rudman & Tom Tripp – MagCorp.; Mary Ann Wright, Wayne Hedberg and Doug Jensen - OGM
Purpose of Meeting: To discuss revised draft of reclamation surety estimate.

A meeting was held in the Division offices to discuss the results of the Division's preliminary reassessment of the comments and revised bond estimate calculations provided by MagCorp representatives during our previous June 21, 2001 meeting. The following issues were discussed during the meeting:

Mary Ann initiated the meeting with a brief background explanation on how the latest bond estimate came about, how it was developed, and that we had asked for it on January 25, 2001. The Division presented a revised bond amount to MagCorp representatives of approximately \$4,039,100. This was roughly a \$2,000,000 reduction from the Division's 5-yr. escalation of the BLM's cost estimate (\$6,051,640). Doug Jensen explained that this reduction primarily reflected the removal of the BLM's administration, contingency and contractor profit cost estimates (18%, 10% & 20%). Doug also indicated he had reworked the D-7 caterpillar cost estimate (\$/cu yd) to reflect what he felt the Division could reasonably accept.

Mr. Tripp again challenged some of the push distance costs outlined in the DOGM/BLM cost estimate stating they were unrealistic and unreasonable. Mary Ann stated that she had not directed Doug to perform a detailed line by line cost assessment of the BLM estimate because: Tony Gallegos had previously looked over the figures and assumptions; the amount of time it would take Doug to do this again; our current staffing short-handedness; and because of the uncertainty expressed by MagCorp to date about their willingness to post any additional reclamation bond amount.

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Mary Ann suggested that they come in with their own reclamation plan and bond estimate and we would evaluate it independently. She also asked if they could begin reclamation of non-critical areas/features at Knolls to reduce and/or eliminate any increase in bond amount. Mr. Rudman expressed that this might be possible, but Mr. Tripp felt this would not be possible, especially if the lake level rose again in the future.

Wayne explained the different types of bonding instruments available to the industry, including self-bonding, which must be approved by the Board. Mr. Rudman stated he was still not sure if corporate is willing to post any supplemental reclamation bond at this time. He said that they cannot even use all the minerals presently being produced at their Stansbury facilities now, let alone those from the Knolls operations. He expressed a concern regarding the State's apparent willingness to give away all of its claims to the minerals produced, and if MagCorp could gain no rights to same, then the company may decide its not worth it to continue investing in the project and just "pack it in", leaving the majority of the site unreclaimed.

Mary Ann discussed what would happen if they "walked away" from the Knolls site leaving it unreclaimed. She also told them if they refuse to post a bond they would likely be ordered to immediately reclaim the site. We also discussed the idea of "rules changing" over the past 15 years, especially with regard to environmental regulation and reclamation expectations. Mary Ann gave Mr. Rudman our legal counselor's name (Kurt Seel) and number to get his opinion and justification about why the State can require a higher bond and higher level of reclamation.

Mr. Rudman stated that Mr. Rennart, CEO and his attorney were to meet with local MagCorp officials this Wednesday and they will discuss this matter with them. Mr. Rudman committed to get back to us with a written response by next week indicating what they plan to do. The meeting ended at 2:00 p.m.

jb
cc: Tony Rudman, MagCorp
Tom Tripp, MagCorp
Lowell Braxton, DOGM
Kurt Seel, AAG
O:\magcorpmtg.memo

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Attachment H

Summary of Reclamation Costs Based on the BLM (contested) Scope of Work

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Type	Kohler's Cost	% of Total	Magcorp's Estimate		DIVISION'S TENTATIVE ESTIMATE
Ditches and Ditches	1255619	23.2	211208	17.7	550,021
Exterior Dike	1820421	33.7	109403	9.1	1,182,730
Interior Dikes	1265359	23.4	389860	32.6	1,003,498 *
Facilities and Pumps	180591	3.3	100703	8.4	139,131
Survey Monuments	90440	1.7	10000	0.8	25,000
Road Ripping and Re-seeding	223240	4.1	223240	18.7	<u>145,528</u>
BLM Oversight	567580	10.5	152000	12.7	3,045,908
Total	5403250	100.0	1196414	100.0	<u>101,591</u>
					3,147,499
					<u>314,750</u>
					3,462,249
					<u>576,840</u>
					4,039,100
					10% contingency
					5 YEAR ESCALATE
					TOTAL

(removed Contingency Administration + Contractor profit fees)

SUPERVISION (12mo @ \$386/DAY)